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# PRACTICE MANAGEMENT: Weighing Third-Party Asset Mgmt Svcs

**Article**

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By Max Alexander

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At a time when advisers' fees have plummeted along with the assets they manage, paying for third-party asset management services might seem like an extravagance that advisory practices can ill afford.

But so-called turnkey asset management programs, or TAMPs, can be a boon to many advisers in a tough economy. The market slide has meant advisers need to spend more time hand-holding with clients as well as growing their practices to make up for the steep drop in fees. That leaves less time for the daily grind of portfolio management - which is where TAMPs come in.

Meanwhile, bankers and brokers fleeing the reeling financial sector to start up boutique fee-based practices are finding that TAMPs are a cost-effective way to get up and running.

But signing on with a TAMP isn't always the right move - and not all TAMPs are created equal. Many have moved beyond asset management into practice management, staff training, billing and accounting.

"There are all sorts of folks getting into the adviser business these days," says John Shields, principal and co-founder of MainStay Consulting Group, which advises the registered investment adviser, or RIA, industry. "You've got bankers, accountants, insurance people. They're not stock-pickers but they are very knowledgeable about investments, and they are good at attracting and retaining clients. They see themselves as orchestra leaders. And that market is very hot for TAMPs."

TAMPs came of age in the '90s, piggybacking on the growth in fee-based and fee-only planning. A study by Tiburon Strategic Advisors found that in 2005 about 16% of overall fee-account assets were under turnkey management. Although some 40 companies offer TAMP services, the business is dominated by 10 big players, led by Prudential Financial (PRU).

TAMPs offer several advantages:

- More time to advise clients on deep financial issues, such as legacy and retirement plans, and less time wearing green eyeshades.
- Flexibility to take on smaller accounts (like your richest client's son, who has only \$250,000 in assets).
- Less money spent on back-office labor costs like billing.
- Access to more sophisticated institutional investment strategies that might be out of reach for individual investors.

But there are some downside issues:

- TAMPs take a big bite out of adviser fees (as much as half).
- Time savings may not be large enough to justify the expense, especially for passive investors using index funds.

-Advisers have less control over their clients' investments, and may be less tuned in to day-to-day market dynamics.

The key, says Shields, is finding a TAMP that meshes with your business model. "There are some TAMPs that are full-service and say, 'Whatever your business model is, we've got the infrastructure and technology and we can adapt to your model,'" says Shields. "Others are very locked down; you have to take their products and services off the menu, and in some cases they just use the advisers as the sales force. The client really becomes a client of the TAMP. So it becomes a question of how much flexibility you want."

Here are some typical services to consider when shopping around for a TAMP:

- Independent research on managers and funds
  - Open architecture so you can buy a range of mutual funds, ETFs and separately managed accounts
  - Professional development and training
  - Interactive Web functions for both adviser and client
  - Compliance and regulatory updates
  - Banking services
  - Support for billing and reporting
  - Trust services
  - Transition support if you terminate the relationship with the TAMP
- By Max Alexander, for Dow Jones Newswires; 201-938-4381

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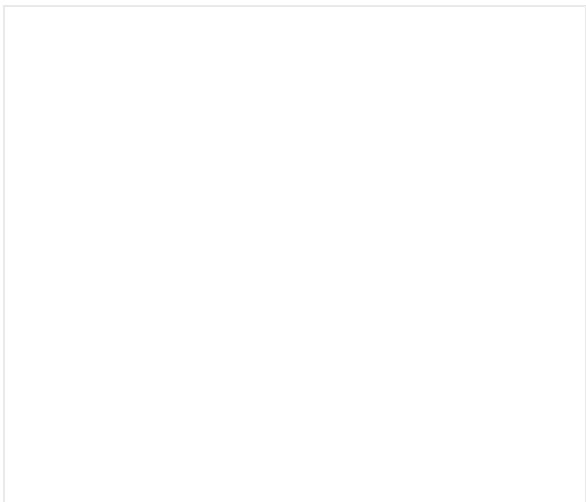
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